

# ALERT!

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General Support Services  
Office of the State Controller  
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Denver CO 80203  
Phone: (303) 866-3281  
Fax: (303) 866-4233

## ALERT #116

TO: Department Controllers, Fiscal Officers and Other Interested Parties

FROM: Clifford W. Hall  
State Controller

DATE: September 14, 1998

SUBJECT: *1998 Disparity Study*  
*Taxability or Fiscal Rule Implications of Non-Monetary Incentives*  
*Re-authorization of External Bank Accounts*  
*Accounts Receivable Project*

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### 1998 Disparity Study

A "Report to the Governor on the 1998 Disparity Study" dated August 25, 1998 recommends that information regarding small purchases be tracked through agency accounting systems (entire report is available on the Internet at [http://www.state.co.us/gov\\_dir/gss/index.html](http://www.state.co.us/gov_dir/gss/index.html)). It specifically targets purchase of services less than \$25,000 and purchase of commodities less than \$5,000 (see the last bullet under Recommendation #2, page 19). This tracking through COFRS will only be valid if proper vendor codes are assigned to payments (see Alert #25 and the COFRS Users Manual). Payments through miscellaneous vendor codes may have to be separately tracked. Miscellaneous vendor codes should only be used for one-time payments that are not 1099 reportable.

### Taxability or Fiscal Rule Implications of Non-Monetary Incentives

The State Controller has recently responded to a request from Pat Romero, Coordinator for Colorado Peak Performance concerning the W-2 reportability of non-cash incentives that may be appropriate for use as peak performance awards. A copy of this memorandum, dated September 8, 1998 is included with other peak performance *Best Practices* information and distributed to all state agencies by the Division of Human Resource Services of GSS. A copy is attached to this Alert for your information.

### Re-authorization of External Bank Accounts

The State Controller's Office along with the Department of Treasury is in the process of re-authorizing all external bank accounts. Over the next several months we will be contacting each department with an external bank account to confirm the continued need for the bank account and the location and number of the account. A new request authorization will be generated for signature by the appropriate department representative. Please direct any questions you may have about this process or about external bank accounts in general to your field accounting specialist.



### Accounts Receivable Project

The Field Accounting Services Team (FAST) is beginning the Accounts Receivable Project that we discussed as part of the Open/Close Training. This project has two parts. The first part is the completion of the annual accounts receivable report. The second part is a review of each department's process of recording accounts receivable, aging accounts, calculating allowances for bad debts, and writing receivables off of COFRS after referrals to the Central Collections Unit have been made.

By learning more about the receivables in the state, the SCO will be in a better position to answer questions about the accounts receivable report and to determine if there is any more specific statewide guidance needed in the Open/Close Instructions. Currently we are in the process of establishing the overall goals of the project. Once the goals have been established each department will be contacted by their accounting specialist to set up a time for the review.

Phil H.

# STATE OF COLORADO

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Roy Romer  
Governor

Department of Personnel  
André N. Pettigrew  
Executive Director

Clifford W. Hall  
State Controller

TO: Pat Romero, Coordinator  
Colorado Peak Performance

FROM: Clifford W. Hall   
State Controller

DATE: March 16, 1998

SUBJECT: Taxability or Fiscal Rule Implications of Non-Monetary Incentives

You provided our office a listing of non-monetary incentives that the Colorado Peak Performance Core Team believes may be appropriate for peak performance awards. You requested our advice concerning the taxability or reportability of these awards.

The issue of the "taxability" or "reportability" of non-cash incentive awards for state employees has been the subject of considerable research and discussion over the past few years. For the most part the answer to this question when addressing generalities is; "It depends." The *Internal Revenue Service Code* and other federal tax regulations governing reportability give general examples and then use terms such as "de minimis fringe", "reasonable and necessary" and "job related" when addressing specifics.

The State Controller's Alert #99, dated March 19, 1997 contains guidance on reporting both cash and non-cash awards for state employees at year end. Alert #108, dated December 12, 1997 gave additional guidance on recording incentive awards for state employees. In summary, the guidance contained in the alerts places the responsibility on the agency controller to report to central payroll (through CPPS) any employee incentive award (cash or non-cash) reportable as income on an employee's W-2.

The following are the criteria contained in the Alerts that are to be used by agencies in determining if a cash or non-cash incentive award is reportable for IRS purposes:

1. All cash awards are reportable on an employee's W-2 regardless of dollar amount.
2. All non-cash awards greater than \$100 (individually or in aggregate) during the calendar year are reportable on an employee's W-2.
3. Non-cash awards of \$100 or less are NOT reportable on an employee's W-2, unless they exceed \$100 in aggregate during any calendar year.
4. Certain types of employee awards (e.g., bus passes, employee parking, length of service, and safety) have special exemptions and limits. IRS guidelines should be consulted for these types of items.



My staff has researched the listing that you provided and has furnished me with the attached. Where possible, specific IRS Regulation has been cited. Should you have additional questions, please contact John Ivy at (303) 866-3765.

Thank you.

Attachment

cc. Kevin Jacobs, HRS  
Dennis Wolfard, SCO  
John Ivy, SCO

- Housing - Reportable, if not considered de minimis.
- Insurance - Accident and health insurance is not reportable. Long term care to the extent provided through flexible spending is considered income and is reportable (Sec. 106).
- Leisure Travel
  1. Use of Travel Trailer - Not reportable if it is of no cost to the state.
  2. Use of Cabin or Time Share - Not reportable if it is of no cost to the state.
  3. Airline tickets - Reportable as income because they represent a cost to the state.
  4. Hotel / Meals- Reportable as income because they represent a cost to the state.
- Meals - Reportable (if not de minimis), depending upon frequency and amount (Sec. 1.132-6(e)(i)).
- PERA Service Credit - Reportable because of additional cost to state.
- Professional Membership Dues - Professional membership dues required by the job are not reportable, individual membership dues, not job related, are reportable.
- Recreation (Various Passes or Licenses) - Passes and licenses may be reportable depending on the length of the pass or license. If a one day pass or license is awarded and the cost to the state is de minimis, like a one time (single day) pass or license, is not reportable. A season pass or license would be reportable (Sec. 1.132-6 (e)(2)).
- Transportation
  1. Use of a State Car - If de minimis, for example one day per month, it is not reportable, but currently the personal use of a state car is not allowed by State Fiscal Rules.
  2. ECO or Bus Pass - Not reportable if under \$60 per month (Sec. 132(a)(5)).
  3. Parking Paid - An employer may provide up to \$170 per month for employee's parking without the benefit being reportable (Sec. 132 (f)(2)(B)).
  4. Gasoline Paid - Reportable as income because they represent a cost to the state.

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